

OFFICE OF CONSUMER ADVOCATE

DIRECT TESTIMONY

OF

FASIL KEBEDE

**IN RE: LIBERTY UTILITIES (MIDSTATES
NATURAL GAS) CORP. d/b/a LIBERTY UTILITIES**

DOCKET NO. RPU-2016-0003

November 7, 2016

1 **Q: Please state your name and business address.**

2 A: Fasil Kebede, 1375 East Court Avenue, Des Moines, Iowa 50319.

3 **Q: By whom and in what capacity are you employed?**

4 A: I am employed by the Office of Consumer Advocate (OCA) as a Utility
5 Specialist.

6 **Q: What is your educational and professional background?**

7 A: I received a Bachelor of Arts Degree in Business Administration from
8 Wartburg College in 1979. Prior to joining the OCA in June 1989, I had been a
9 Utility Analyst for the Utilities Division of the Iowa Department of Commerce
10 since March 1987.

11 I have attended numerous meetings and seminars sponsored by the
12 National Association of Regulatory Utility Commissioners (NARUC); and the
13 National Association of State Utility Consumer Advocates (NASUCA).

14 **Q: What are your job responsibilities?**

15 A: My duties include reviewing and analyzing rate increase proposals, conducting
16 field audits, and reviewing and investigating other utility matters. I have
17 testified in many electric, gas, telephone, fuel procurement, energy efficiency,
18 and complaint proceedings.

19 **Q: What is the purpose of your testimony?**

20 A: The purpose of my testimony is to present and explain OCA's position
21 regarding the Liberty Utilities (Midstates Natural Gas) Corp. d/b/a Liberty
22 Utilities (Liberty or Company) overall revenue requirement based on my

1 recommendations and the recommendations of OCA witnesses Munoz and
2 Bodine.

3 **Q: Have you prepared schedules in support of your testimony?**

4 A: Yes. I have prepared and filed OCA Exhibit Kebede Direct, Schedules A
5 through J in support of and attached to my testimony.

6 **Q: What is the test year proposed by Liberty in this case?**

7 A: Liberty is using calendar year ended December 31, 2015 as the test year in this
8 case.

9 **Q: What is the revenue requirement that you recommend for Liberty?**

10 A: Based on my recommendations and those made by OCA Witnesses Bodine and
11 Munoz, I recommend a non-gas revenue requirement of \$2,842,014. This is
12 shown on my Schedule A, Page 1 of 1, Line 9. This revenue requirement results
13 in an increase in rates to Liberty's Iowa jurisdictional ratepayers of \$663,645 as
14 shown on my Schedule A, Page 1 of 1, Line 7. By comparison, Liberty's
15 proposed non-gas revenue requirement is \$3,176,268. The resulting increase in
16 rates to Iowa ratepayers using Liberty's proposed revenue requirement is
17 \$1,057,139.

18 My revenue requirement calculation includes an adjusted net operating
19 revenue of \$2,178,369. This is shown on my Schedule A, Page 1 of 1, Line 8,
20 and Schedule C, Page 1 of 3, Column D, Line 1. My recommended revenue
21 requirement also includes an adjusted rate base of \$6,208,422. The \$6,208,422
22 is shown on my Schedule A, Line 1, and Schedule D, Page 1 of 2, Column C,

1 Line 15. My recommended revenue requirement also reflects an overall rate of
2 return, as recommended by OCA Witness Munoz of 6.884%, as shown on my
3 Schedule A, Line 2, and Schedule B, Column D, Line 4.

4 **Income Statement**

5 **Q: Would you please describe your financial calculation and recommendations**
6 **for Liberty set forth in your Schedule C?**

7 A: OCA Exhibit Kebede Direct, Schedule C presents my calculation of Liberty's
8 Iowa jurisdictional income statement, which reflects OCA's recommended
9 adjustments.

10 **Q: Has Company proposed any pro-forma income statement adjustments?**

11 A: Yes. My Schedule A reflects a number of pro-forma adjustments recommended
12 by OCA. I will address the following adjustments in my calculation of OCA's
13 proposed revenue requirement:

- 14 a) Purchased Gas Adjustment
- 15 b) Weather Normalization
- 16 c) Wage increases
- 17 d) New Employees
- 18 e) Rate Case Expense
- 19 f) Corporate Allocation
- 20 g) Plant Additions
- 21 h) Davis/HRIS Depreciation

1 i) Depreciation Study Shared Assets

2 j) Depreciation Study Davis/HRIS

3 k) Lobbying Expenses

4 l) Uncollectible Expenses

5 m) Interest Synchronization

6 **Q: Referring to your Schedule C, please describe the revenue and expense**
7 **adjustment for purchased gas.**

8 A: Company's revenue and expenses for natural gas purchased from suppliers and
9 delivered to customers is reconciled in the Company's PGA. Company
10 correctly removes the revenue and expenses collected through the Company's
11 PGA from test year revenue and expenses, because the PGA is not part of the
12 base rate. I accept this proposed adjustment and reflect it on my Schedule C,
13 Page 2 of 3, Column A.

14 **Q: Company witness Jill Schwartz proposed a pro forma adjustment to reflect**
15 **the 2016 closure of Keokuk Steel Castings. Do you agree with**
16 **Ms. Schwartz' adjustment, and did you include this adjustment in your**
17 **recommended revenue requirement?**

18 A: No. I disagree with Company witness Schwartz's proposed Keokuk Steel
19 Castings adjustment to decrease test year revenue in the amount of \$84,849 in
20 order to recognize the loss of revenue from Keokuk Steel Castings, which was a
21 transportation customer until March 2016. And I did not include this adjustment
22 in my recommended revenue requirement.

1 **Q: Would you explain why you disagree with the adjustment proposed for**
2 **Keokuk Steel Casting?**

3 A: Yes. As I will explain, I believe that the proposed adjustment is inappropriate
4 because Company's test year sales and revenue are reasonable and the best
5 indicators of sales and revenues likely to be collected while the rates approved
6 in this proceeding are in effect. In my opinion, the closure of Keokuk Steel
7 Castings in early 2016 will not result in the permanent loss of revenue. There is
8 substantial reliable evidence that the plant will reopen under new ownership by
9 the end of this year, rendering Liberty's pro forma adjustment inappropriate.
10 Reducing revenues to recognize lost sales due to the closure of Keokuk Steel
11 Castings while ignoring the revenue to be collected from the new owner would
12 be unreasonable and would produce excess profits, all else being equal.

13 Additionally, the lost revenue adjustment proposed by Ms. Schwartz did
14 not reflect all changes in customer levels and the resulting increased revenue.
15 For example, since the close of the test year the number of commercial
16 customers served by Liberty has increased. During the test year, the average
17 number of commercial customers was 458. These customers generated test year
18 revenue of \$495,095, which equates to \$1,081 of non-gas revenue per customer.
19 As of July 2016, the average number of commercial customers served by
20 Liberty was 461. Ms. Schwartz did not reflect the additional revenue associated
21 with the three additional customers (total of approximately \$3,243) in her
22 proposed pro forma lost revenue adjustment.

1 **Q: What is the basis for your belief that the closed Keokuk Steel Castings**
2 **plant will reopen under new ownership?**

3 A: According to the Iowa Economic Development Authority (IEDA), Keokuk
4 Mills, LLC was recently formed to reopen the former Keokuk Steel Castings
5 plant. The Iowa Economic Development Board awarded the project direct
6 financial assistance of \$1 million as well as tax benefits through the High
7 Quality Jobs Program. In addition, the project will be assisted using \$400,000
8 through the Targeted Jobs Withholding Tax Credit program. I have included as
9 my Schedule H, a copy of the September 27, 2016, IEDA publication describing
10 the reopening of the former Keokuk Steel Castings facility by Keokuk Mill,
11 LLC and the associated economic development package. In addition, on my
12 Schedule H, page 5, a copy of the Des Moines Register interview shows that the
13 CEO of Keokuk Mills indicated in July that the foundry should open within the
14 fourth quarter of 2016. In light of the information concerning the reopening of
15 the plant during the fourth quarter of 2016, it would be unreasonable to accept
16 the lost revenue adjustment proposed by Ms. Schwartz and enable Liberty to
17 experience a revenue windfall. Therefore, I did not reflect Company's proposed
18 adjustment for lost revenue associated with Keokuk Steel Castings in OCA's
19 income statement.

20 **Q: Company witness Schwartz proposed a pro forma adjustment to reflect**
21 **weather normalized sales and the resulting increase in revenues. Did you**
22 **accept her proposed adjustment?**

1 A: No. Company proposed a pro forma adjustment to reflect normal weather
2 conditions. The weather adjustment proposed by Ms. Schwartz represents an
3 increase in revenue to the test year by \$41,707. Ms. Schwartz's adjustment was
4 incorrectly calculated.

5 **Q: Would you explain the errors in Ms. Schwartz's adjustment?**

6 A: Yes. There were three errors. First, Ms. Schwartz erroneously normalized
7 interruptible sales. This is incorrect because interruptible sales are not
8 considered to be weather sensitive and can be interrupted in the event they get
9 too high and pose system problems. Although this was a minor error (impacting
10 revenue by only \$1,637), I corrected it in computing my adjustment.

11 The second error was more significant. Ms. Schwartz used the wrong
12 normalized sales volumes for residential and commercial firm sales for the
13 months of June through December 2015. Instead of using 2015 normalized
14 sales volumes for the months of June through December, Ms. Schwartz used
15 2014 normalized sales volumes for these months.

16 The third error involved using the wrong test year firm commercial
17 volume for July. Ms. Schwartz used 69,931 therms instead of 59,931 therms,
18 which is the actual test year number.

19 When these three errors are corrected, the appropriate adjustment
20 becomes \$16,099, which is shown on my Schedule C, page 2 of 3, Col. C.

1 **Q: Your Schedule C (page 3, Column G) reflects a small pro forma adjustment**
2 **regarding lobbying expenses. Would you explain this adjustment and the**
3 **reason for including it?**

4 A: Yes. In Company's response to OCA Data Request No. 27 (attached as my
5 Schedule J) Liberty indicates that during the test year it paid \$2,813 in dues to
6 the American Gas Association (AGA) and that 4.5% of AGA's membership fees
7 are allocable to lobbying.

8 **Q: Is it appropriate to include lobbying expenses in its revenue requirement?**

9 A: No. Iowa Code § 476.18(1) (2015) provides that "Public utilities subject to rate
10 regulation are prohibited from including, either directly or indirectly in their
11 charges or rates to customers, the cost of lobbying." Consistent with this
12 statutory prohibition I have made the adjustment to reduce the test year expenses
13 by \$127 to remove the cost of lobbying. The calculation and resulting
14 adjustment is set forth on my Schedule J, page 1, and Schedule C, page 3 of 3,
15 column G.

16 **Q: Would you please explain your adjustment for Uncollectible expenses?**

17 A: Yes. In reviewing the Company's test year results and comparing test year
18 results to prior years' results for which data was available, I found that
19 uncollectible expense has seen some significant fluctuation. Over the past three
20 years (2013-2015), uncollectibles ranged from a low of \$49,049 to a high of
21 \$67,380, the average of which was \$59,123. I also compared Liberty's
22 uncollectible expense ratios with those of Iowa's other investor-owned utilities.

1 As a percentage of total revenue, Liberty's test year uncollectible expense is
2 extraordinarily high by comparison. My Schedule I, page 2 of 2, illustrates the
3 magnitude of the difference. It shows that Liberty's 2015 uncollectible expense
4 was 1.4 percent of total revenue. By comparison, Black Hills' 2015
5 uncollectible expense was only 0.67 percent of total revenue. The results for
6 Iowa's other natural gas utility companies were even less. Interstate Power's
7 was 0.14 percent of total revenue and MidAmerican Energy's was 0.07 percent
8 of total revenue.

9 I concluded that Liberty's test year uncollectible expense is unacceptably
10 high and not reasonably representative of conditions that a prudently run utility
11 should expect. As a result, I recommend that the test year results be adjusted to
12 reflect \$49,049 in uncollectible expense, which was Company's actual amount
13 of uncollectible expense during 2013. This uncollectible expense adjustment
14 results in a decrease of \$11,892 to test year O & M expense. The calculation is
15 shown on my Schedule I, page 1 of 2, and the adjustment is reflected on my
16 Schedule C, page 3 of 3, Column H.

17 **Q: Company has proposed to include a five-year amortization of rate case**
18 **expense in the amount of \$120,000 in the revenue requirement. Do you**
19 **agree?**

20 **A:** No. The actual amount of expense for this rate case proceeding will not be
21 known until the conclusion of the case. Consistent with past practices, only an
22 amortization of the actual rate case expenses that are found to be legitimate,

1 reasonable, and just should be included as a pro forma adjustment to operating
2 expenses in this case.

3 Liberty's estimated rate case expense is to be \$600,000 for this
4 proceeding. This is approximately 56 percent of the proposed revenue increase
5 of \$1,057,000. The rate increase will likely result in rate shock for many of
6 Liberty's Iowa customers. The Company's proposed annual amortization of
7 \$120,000 per year in rate case expense is a little over 11% of the total proposed
8 annual increase in this case. Furthermore, it has been over 15 years since rates
9 were last reviewed, which only compounds the resulting rate shock. In order to
10 reduce the rate shock that Liberty's customers in Keokuk will experience, I
11 believe that a longer amortization period should be used for this case.

12 Accordingly, I recommend that the Board's allowable rate case expense in this
13 case be amortized over a ten-year period. A ten-year amortization period strikes
14 a more reasonable balance between the interests of shareholders and customers.
15 Not only does a ten-year amortization period reduce the level of rate shock, it
16 also protects customers from the risk of overcompensating shareholders for this
17 proceeding's rate case expense in the event the time until the next rate
18 proceeding approximates the time since the last rate case.

19 **Q: Does Company propose any expense-related pro forma adjustments with**
20 **which you agree?**

21 A: Yes. Company proposes the following adjustments with which I agree:

- 22
- An increase to test year expenses based upon a wage increase in the amount

- 1 of \$6,885. I accept this adjustment and reflect it on my Schedule C, Page 2
- 2 of 3, Column E.
- 3 • An increase to test year O&M expenses based upon two new employees in
- 4 the amount of \$105,300. I accept this adjustment and reflect it on my
- 5 Schedule C, Page 2 of 3, Column F.
- 6 • A decrease to test year O&M expenses to reflect a reduction in corporate
- 7 allocations from Liberty Midstates' parent in the amount of \$1,660. I accept
- 8 this adjustment and reflect it on my Schedule C, Page 3 of 3, Column A.
- 9 • An increase to test year depreciation expense in the amount of \$18,900
- 10 based on the post-test year utility plant additions. I accept this adjustment
- 11 and reflect it on my Schedule C, Page 3 of 3, Column B.
- 12 • An increase to test year depreciation expense in the amount of \$5,912 to
- 13 reflect new depreciation rate changes for the Company's headquarters
- 14 located on Davis Road and human resources information system
- 15 (Davis/HRIS) assets. I accept this adjustment and reflect it on my
- 16 Schedule C, Page 3 of 3, Column C.
- 17 • A reduction to test year depreciation expense in the amount of \$25,707 to
- 18 reflect new depreciation rates for various Company assets. I accept this
- 19 adjustment and reflect it on my Schedule C, Page 3 of 3, Column D.
- 20 • A reduction to test year depreciation expense in the amount of \$1,857 to
- 21 reflect new depreciation rates for shared assets. I accept this adjustment and
- 22 reflect it on my Schedule C, Page 3 of 3, Column E.

- 1 • A reduction to depreciation expense in the amount of \$37, based on the
- 2 depreciation study on Davis/HRIS assets. I accept this adjustment and
- 3 reflect it on my Schedule C, Page 3 of 3, Column F.

4 **Q: Do you recommend an adjustment for interest synchronization?**

5 A: Yes. The interest synchronization adjustment is necessary in order to recognize
6 the tax deductibility of the long-term debt interest recognized by OCA's
7 proposed capital structure and rate base. My Schedule F simply recalculates the
8 interest synchronization adjustment to recognize OCA's recommended rate
9 base. The interest synchronization adjustment for long-term debt interest
10 expense is \$158,929. The interest synchronization adjustment decreases federal
11 income taxes by \$49,999 and state income taxes by \$16,068. My Schedule C,
12 Page 3 of 3, Column I reflects both interest synchronization adjustments for
13 federal and state income taxes.

14 **Rate Base**

15 **Q: Please describe Liberty's rate base included on your Schedule D?**

16 A: My Schedule D, Page 1 of 2 shows my recommended Iowa jurisdictional rate
17 base of \$6,208,422. This is comparable to Liberty's proposed Iowa
18 jurisdictional rate base of \$6,531,685.

19 **Q: Do you accept any of Company's rate base adjustments?**

20 A: Yes.

- 21 • Company proposed an adjustment for \$1,400,000 to reflect Utility Plant In-

1 Service (UPIS) additions that will be completed as of September 30, 2016.

2 These UPIS additions match the adjustment to increase accumulated
3 depreciation by \$18,900 that I discussed earlier. I accept this adjustment, which
4 is reflected on my Schedule D, Page 2 of 2, Column A, Lines 1 & 2,
5 respectively.

- 6 • Company proposed to capitalize \$3,750 of the wage increase and increases the
7 associated 13-month average accumulated depreciation of \$94. I accept this
8 adjustment and reflect it on my Schedule D, Page 2 of 2, Column B, Lines 1 &
9 2.

- 10 • Company proposed to capitalize \$24,700 of the wage increases related to new
11 employees and increases the associated 13-month average accumulated
12 depreciation of \$618. I accept this adjustment and reflect it on my Schedule D,
13 Page 2 of 2, Column C, Lines 1 & 2.

- 14 • Company proposed an adjustment to increase accumulated depreciation for both
15 its corporate headquarters on Davis Road and Human Resources information
16 System (Davis/HRIS) located in Oakville, Ontario by \$5,912. This accumulated
17 depreciation adjustment is associated with the change in depreciation rates that I
18 discussed earlier. I accept this adjustment and reflect it on my Schedule D,
19 Page 2 of 2, Column D.

- 20 • Company proposed an adjustment to decrease accumulated depreciation by
21 \$25,707 to reflect changes in depreciation rates for various direct assets. This is
22 associated with the \$25,707 depreciation expense adjustment I discussed earlier.

1 I accept this adjustment and reflect it on my Schedule D, Page 2 of 2, Column E.

2 • Company proposed an adjustment to decrease accumulated depreciation by
3 \$1,857 based on depreciation study for shared assets. This is also associated
4 with the \$1,857 depreciation expense adjustment I discussed earlier. I accept
5 this adjustment and reflect it on my Schedule D, Page 2 of 2, Column F.

6 • Company proposed an adjustment to decrease accumulated depreciation by \$37
7 based on depreciation study for HRIS. I accept this adjustment and reflect it on
8 my Schedule D, Page 2 of 2, Column G.

9 **Q: Has Liberty proposed any rate base adjustments with which you do not**
10 **agree?**

11 A: Yes. I have proposed a different level of cash working capital.

12 **Q: What is cash working capital?**

13 A. Cash working capital is one component of the working capital requirement.
14 Cash working capital represents the amount of capital required to pay for net
15 cash outlays.

16 **Q: You said that cash working capital is one component of the working capital**
17 **requirement. Would you explain the concept of working capital and how it**
18 **fits into the ratemaking process?**

19 A: Yes. Working capital is the amount of capital that investors are required to put
20 into the business over and above the investment in net plant-in-service. It
21 includes the amount of money needed to cover any gap between cash
22 expenditures and the collection of revenues from customers. To reflect this

1 working capital in rate base, we add the 13-month average test year balances
2 such as gas in storage, prepaid expense and cash working capital. *See my*
3 *Schedule D, Page 1, Lines 4-8.*

4 **Q: What is customer-contributed capital and how does customer-contributed**
5 **capital affect rate base?**

6 A: Customer-contributed capital is essentially working capital contributed by
7 customers instead of by the Company's shareholders. It is a reduction to rate
8 base and includes (i) accumulated deferred income taxes (which is money
9 already collected from customers but not yet paid to the government), (ii)
10 customer deposits (which is money collected from customers but not yet
11 returned), and (iii) reserve for bad debts (which is money already collected and
12 put aside for future bad debts). The balance in these accounts represent money
13 collected from customers and held by Liberty during the year. *See my*
14 *Schedule D, Page 1, lines 9-14.*

15 **Q: Getting back to the cash working capital component of working capital,**
16 **would you explain your disagreement with Liberty?**

17 A: Ms. Schwartz and I both reflect the same working capital items in our schedules,
18 and we differ only on the amount of the cash working capital item. There are
19 two differences between our cash working capital calculations, Ms. Schwartz
20 failed to properly reflect in her cash working capital calculation the impact of
21 property taxes and the income tax impact of her operating expense pro forma
22 adjustments.

1 **Q: What was the amount of Liberty’s cash working capital calculation?**

2 A: Company witness Schwartz proposed to include in test year rate base \$30,138 to
3 reflect her calculation of cash working capital. *See* JMS 2 Rate Base, Line 10.
4 As I just mentioned, Liberty’s cash working capital calculation was done
5 incorrectly and, as a result, overstates the Company’s actual cash working
6 capital requirement. When property tax, federal and state income taxes are
7 included, in addition to payroll, purchased gas and other O&M expenses the
8 cash working capital is correctly calculated. Liberty’s actual test year cash
9 working capital requirement is a negative \$294,067. This is shown on my
10 Schedule D, Page 1, Col. A, line 7.

11 **Q: Would you explain the errors you found in the Company’s cash working**
12 **capital calculation?**

13 A: Yes. To calculate the amount of cash working capital needed by the utility, it is
14 necessary to take the dollar amount of payroll, purchased gas, other O&M,
15 property tax, and income tax expenses and apply the appropriate lead-lag factor.
16 The lead-lag factor is determined by a “lead-lag study.” The lead-lag study
17 measures the gap between cash expenditures and the collection of revenues from
18 sales. The “lead” portion (also referred to as the “expense lead”) measures the
19 average number of days that elapse for an expense between the time the
20 Company receives goods and services (based on invoice date) and the time the
21 Company actually pays for the goods and services. The “lag” portion (also
22 referred to as the “revenue lag”) measures the average number of days that

1 elapse between the time the Company renders service to its customers¹ and the
2 time the Company actually receives the payments, or revenue, from its
3 customers.

4 In this case, the revenue lag and expense lead days for Payroll, Purchase
5 gas, and other O&M expenses are not in dispute. Both Ms. Schwartz and I use a
6 revenue lag of 34.41 days. What is in dispute is the appropriate expense lead
7 days for property taxes.

8 Ms. Schwartz combined Other O&M expense (of \$425,015) and
9 Property Tax expense (of \$349,824) into a single category and applied a single
10 expense lead (of 26.53 days) to the \$774,839 total. This is wrong because the
11 26.53 days expense lead is only appropriate for Other O&M expenses. It is not
12 appropriate for property tax expense, because property tax expense has a much
13 longer expense lead.

14 **Q: What is the appropriate expense lead for property tax expense?**

15 **A:** The appropriate expense lead for property tax expense is 364.8 days. The
16 calculation of the 364.8 day property tax lead days is shown on my Schedule E,
17 Page 2 of 2. This lead day number reflects the fact that property taxes are not
18 paid until the following year. For example, the property tax expense applicable
19 to the first six months of 2015 is not paid until March of 2016.² Likewise, the
20 property tax expense applicable to the second half of 2015 is not paid until

¹ Lead-lag studies use the mid-point of the month at issue.

² The midpoint of this 6-month period is March 2015. The 364.8 expense lead reflects the fact that the tax for this period is paid in March 2016.

1 September of 2016.

2 **Q: Is your recommended property tax expense lead the same as is used by any**
3 **other Iowa utilities?**

4 A: Yes. Both MidAmerican Energy and Interstate Power use virtually identical
5 property tax expense lead days. For example, in Docket Nos. RPU-2013-0004
6 and RPU-02-2, MidAmerican's witnesses used property tax expense leads of
7 364.92 and 364.79 days, respectively. Similarly, in Docket Nos. RPU-2012-
8 0002 and RPU-2012-0003, Interstate's witnesses used property tax expense
9 leads of 363.9 and 363.8 days, respectively.

10 **Q: Earlier you mentioned that Liberty's cash working capital number is**
11 **wrong because Ms. Schwartz also failed to include in her cash working**
12 **capital calculation the income tax impact of her operating expense pro**
13 **forma adjustments. Would you explain why it is necessary to include the**
14 **income taxes associated with pro forma adjustments in the cash working**
15 **capital calculation?**

16 A: Yes. Federal and state income taxes are expenses that need to be paid. Income
17 tax expense is no different than other operating expenses (such as payroll,
18 purchased gas, etc.). Cash is required to pay the income tax expense when it
19 becomes due. This is why income tax expense must be included in the cash
20 working capital calculation.

21 Pro forma adjustments to test year results impact the amount of income
22 taxes that the Company must pay. Increasing an expense will reduce income

1 taxes, because the added expense is deductible and reduces the company's net
2 operating income, all else being equal. Ms. Schwartz obviously recognizes this
3 fact, because she reflects the impact on income taxes of her proposed pro forma
4 adjustments. This is shown on Schwartz Exhibit 3, Net Operating Income,
5 lines 14 and 15. She just does not include income tax expense on her pro forma
6 adjustments in her cash working capital calculation.

7 **Q: Do MidAmerican Energy and Interstate Power and Light include income**
8 **tax expense and the income tax impact of pro forma adjustments in their**
9 **cash working capital calculations?**

10 A: Yes. Both MidAmerican Energy and Interstate Power and Light include income
11 tax expense and the income tax impact of pro forma adjustments in their cash
12 working capital calculations.

13 **Q: What is the result of your cash working capital calculation?**

14 A: My Schedule E presents my calculation of cash working capital. I have used a
15 separate line for property taxes and federal and state income taxes in my
16 calculation. This results in a test year cash working capital requirement prior to
17 any pro-forma adjustments of negative \$294,067. This adjustment is reflected
18 on my Schedule D, Page 1, Column C, Line 7. The impact on the test year cash
19 working capital requirement of my recommended pro-forma adjustments is
20 \$943. The adjustment is reflected on my Schedule D, Page 2, Column H.

21 **Q: Does this conclude your testimony at this time?**

22 A: Yes, it does.

OCA Exhibit Kebede Direct
Page 21 of 21
RPU-2016-0003

STATE OF IOWA)
) **SS: AFFIDAVIT OF FASIL KEBEDE**
COUNTY OF POLK)

I, Fasil Kebede, being first duly sworn on oath, depose and state that I am the same Fasil Kebede identified in the foregoing Direct Testimony; that I have caused the foregoing Direct Testimony to be prepared and am familiar with the contents thereof, and that the foregoing Direct Testimony as identified therein is true and correct to the best of my knowledge, information and belief as of the date of this Affidavit.

/s/ Fasil Kebede
Fasil Kebede

Subscribed and sworn to before me, A Notary Public, in and for said County and State, this 7th day of November, 2016.

/s/ Craig F. Graziano
Notary Public

My Commission Expires: June 14, 2017

OFFICE OF CONSUMER ADVOCATE

**DIRECT EXHIBIT
SCHEDULES A - J**

OF

FASIL KEBEDE

**IN RE: LIBERTY UTILITIES (MIDSTATES NATURAL
GAS) CORP. d/b/a LIBERTY UTILITIES**

DOCKET NO. RPU-2016-0003

November 7, 2016

**OCA Exhibit Kebede Direct
Schedules A-J**

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**Liberty Utilities (Midstates Natural Gas) Corp.
Revenue Requirement
For Test Year Ended December 31, 2015**

OCA Exhibit Kebede Direct
Schedule A
Page 1 of 1
RPU-2016-0003

Line No.	Description	Amount	Reference
1	Rate Base	\$ 6,208,422	Schedule D, Column C, Line 15
2	Rate of Return	6.884%	Schedule B, Column D, Line 4
3	Required Net Operating Income	\$ 427,382	Line 1 times Line 2
4	Adjusted Net Operating Income	\$ 39,614	Schedule C, Page 1, Column D, Line 13
5	Net Operating Income Deficiency (Excess)	\$ 387,768	Line 3 minus Line 4
6	Revenue Conversion Factor	1.71145	Schedule G, Column B, Line 4
7	Revenue Deficiency (Excess)	\$ 663,645	Line 5 times Line 6
8	Adjusted Operating Revenue	\$ 2,178,369	Schedule C, Page 1 of 3, Col. D, Ln 1
9	Revenue Requirement	\$ 2,842,014	Line 7 plus Line 8

Liberty Utilities (Midstates Natural Gas) Corp.
Return on Equity
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
 Schedule B
 Page 1 of 1
 RPU-2016-0003

Line No.	Description (A)	Ratio (B)	Cost Rate (C)	Weighted Average (D)
1	Long Term Debt	53.000%	4.830%	2.560%
2	Preferred Stock	0.000%	0.000%	0.000%
3	Common Equity	47.000%	9.200%	4.324%
4				<u>6.884%</u>

Source: OCA Exhibit Munoz Direct Schedule A

Liberty Utilities (Midstates Natural Gas) Corp.
Income Statement
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
Schedule C
Page 1 of 3
RPU-2016-0003

<u>Line No.</u>	<u>Description</u>	<u>Book 2015</u> (A)	<u>Total Page Two</u> (B)	<u>Total Page Three</u> (C)	<u>Total Adjusted Income Statement</u> (D)	<u>Increase (Decrease)</u> (E)	<u>Adj. Inc. St. After Increase (Decrease)</u> (F)
1	Operating Revenues	\$ 4,330,127	\$ (2,151,758)	\$ -	\$ 2,178,369	\$ 663,645	\$ 2,842,014
	Operating Expenses						
2	Operation Expense	\$ 3,308,107	\$ (1,955,282)	\$ (13,679)	\$ 1,339,146		\$ 1,339,146
3	Maintenance Expense	\$ 3,963	\$ -	\$ -	\$ 3,963		\$ 3,963
4	Depreciation and Amortization	\$ 533,602	\$ 712	\$ (2,789)	\$ 531,525		\$ 531,525
5	Property Taxes	\$ 349,824	\$ -	\$ -	\$ 349,824		\$ 349,824
6	Other Taxes	\$ 45,616	\$ -	\$ -	\$ 45,616		\$ 45,616
7	Federal Income Tax	\$ -	\$ (62,035)	\$ (44,818)	\$ (106,854)	\$ 208,783	\$ 101,929
8	State Income Tax	\$ -	\$ (19,936)	\$ (14,403)	\$ (34,339)	\$ 67,094	\$ 32,756
9	Deferred Income Tax	\$ -	\$ -	\$ -	\$ -		\$ -
10	Investment Tax Credits	\$ -	\$ -	\$ -	\$ -		\$ -
11	Interest on Customer Deposit	\$ 9,873	\$ -	\$ -	\$ 9,873		\$ 9,873
12	Total Operating Expense	\$ 4,250,985	\$ (2,036,541)	\$ (75,689)	\$ 2,138,755	\$ 275,877	\$ 2,414,632
13	Net Operating Income	\$ 79,142	\$ (115,217)	\$ 75,689	\$ 39,614	\$ 387,768	\$ 427,382

Source:

JMS Exhibit 3 Col. C	Kebede Sch. C Pg. 2 Col. H	Kebede Sch. C Pg. 3 Col. J	Col. A, B & C	Kebede Sch. A Ln. 7	Col. D + Col. E
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Liberty Utilities (Midstates Natural Gas) Corp.
Income Statement Adjustments
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
Schedule C
Page 2 of 3
RPU-2016-0003

Line No.	Description	Purchased Gas Adjustment (A)	Keokuk Steel (B)	Weather Normalization (C)	Not Used (D)	Wage Increases (E)	New Employee (F)	Rate case Expense (G)	Page 2 Total (H)
1	Operating Revenues	\$ (2,167,857)	\$ -	\$ 16,099					\$ (2,151,758)
	Operating Expenses								
2	Operation Expense	\$ (2,067,467)				\$ 6,885	\$ 105,300	\$ -	\$ (1,955,282)
3	Maintenance Expense								\$ -
4	Depreciation and Amortization					\$ 94	\$ 618		\$ 712
5	Property Taxes								\$ -
6	Other Taxes								\$ -
7	Federal Income Tax	\$ (31,583)	\$ -	\$ 5,065		\$ (2,196)	\$ (33,322)	\$ -	\$ (62,035)
8	State Income Tax	\$ (10,149)	\$ -	\$ 1,628		\$ (706)	\$ (10,708)	\$ -	\$ (19,936)
9	Deferred Income Tax								\$ -
10	Investment Tax Credits								\$ -
11	Interest on Customer Deposit								\$ -
12	Total Operating Expense	\$ (2,109,199)	\$ -	\$ 6,692	\$ -	\$ 4,078	\$ 61,888	\$ -	\$ (2,036,541)
13	Net Operating Income	\$ (58,658)	\$ -	\$ 9,407		\$ (4,078)	\$ (61,888)	\$ -	\$ (115,217)

Source:	JMS Exhibit 3 Sch. 1, Col. B	Kebede Direct Test. P 5	Kebede WP Confidential Sch. K	JMS Exhibit 3 Sch. 1, Col. G	JMS Exhibit 3 Sch. 1, Col. H	Kebede Direct Test. P 10
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Liberty Utilities (Midstates Natural Gas) Corp.
Income Statement Adjustments
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
Schedule C
Page 3 of 3
RPU-2016-0003

Line No.	Description	Corporate Allocation (A)	Plant Addition (B)	Davis/HRIS Depreciation (C)	Depreciation Study Direct (D)	Depreciation Study Shared Assets (E)	Depreciation Study Davis/HRIS (F)	Lobbying Expenses (G)	Uncollectible Expenses (H)	Interest Synch. (I)	Page 3 Total (J)
1	Operating Revenues										\$ -
	Operating Expenses										
2	Operation Expense	\$ (1,660)						\$ (127)	\$ (11,892)		\$ (13,679)
3	Maintenance Expense										\$ -
4	Depreciation and Amortization		\$ 18,900	\$ 5,912	\$ (25,707)	\$ (1,857)	\$ (37)				\$ (2,789)
5	Property Taxes										\$ -
6	Other Taxes										\$ -
7	Federal Income Tax	\$ 522	\$ (5,946)	\$ (1,860)	\$ 8,087	\$ 584	\$ 12	\$ 40	\$ 3,741	\$ (49,999)	\$ (44,818)
8	State Income Tax	\$ 168	\$ (1,911)	\$ (598)	\$ 2,599	\$ 188	\$ 4	\$ 13	\$ 1,202	\$ (16,068)	\$ (14,403)
9	Deferred Income Tax										\$ -
10	Investment Tax Credits										\$ -
11	Interest on Customer Deposit										\$ -
12	Total Operating Expense	\$ (970)	\$ 11,043	\$ 3,454	\$ (15,021)	\$ (1,085)	\$ (22)	\$ (74)	\$ (6,948)	\$ (66,067)	\$ (75,689)
13	Net Operating Income	\$ 970	\$ (11,043)	\$ (3,454)	\$ 15,021	\$ 1,085	\$ 22	\$ 74	\$ 6,948	\$ 66,067	\$ 75,689

Source:

JMS Exhibit 3 Sch. 1, Col. I	JMS Exhibit 3 Sch. 1, Col. J	JMS Exhibit 3 Sch. 1, Col. K	JMS Exhibit 3 Sch. 1, Col. L	JMS Exhibit 3 Sch. 1, Col. M	JMS Exhibit 3 Sch. 1, Col. N	Kebede Sch. J Pg. 1 Col. B	Kebede Sch. I Pg. 1 Col. B	Kebede Sch. F Pg. 1 Col. B
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Liberty Utilities (Midstates Natural Gas) Corp.
Rate Base
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
Schedule D
Page 1 of 2
RPU-2016-0003

	Description	13 Month <u>Average</u> (A)	Pro Forma <u>Adjustments</u> (B)	Adjusted <u>Rate Base</u> (C)
1	Utility Plant In Service	\$ 15,783,521	\$ 1,428,450	\$ 17,211,971
2	Less: Accumulated Amort. & Depreciation	<u>\$ 10,178,403</u>	<u>\$ (2,077)</u>	<u>\$ 10,176,326</u>
3	Total Net Utility Plant	\$ 5,605,118	\$ 1,430,527	\$ 7,035,645
4	Additions to Rate Base			
5	Gas Storage	\$ 467,146	\$ -	\$ 467,146
6	Prepaid Expenses	\$ 21,982	\$ -	\$ 21,982
7	Cash Working Capital	<u>\$ (294,067)</u>	<u>\$ 943</u>	<u>\$ (293,124)</u>
8	Total Additions to Rate Base	\$ 195,061	\$ 943	\$ 196,004
9	Deductions to Rate Base			
10	Accumulated Deferred Income Taxes	\$ 608,626	\$ 248,069	\$ 856,695
11	Customer Advances	\$ -	\$ -	\$ -
12	Customer Deposits	\$ 139,297	\$ -	\$ 139,297
13	Reserve for Bad Debt	<u>\$ 27,235</u>	<u>\$ -</u>	<u>\$ 27,235</u>
14	Total Deductions	\$ 775,158	\$ 248,069	\$ 1,023,227
15	Total Rate Base	<u><u>\$ 5,025,021</u></u>	<u><u>\$ 1,183,401</u></u>	<u><u>\$ 6,208,422</u></u>

Source:

JMS Exh. 2
Ln. 7 - OCA Sch E

Sch D, Pg 2,
Col. I

Col A + Col B

Liberty Utilities (Midstates Natural Gas) Corp.
Rate Base Adjustments
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
Schedule D
Page 2 of 2
RPU-2016-0003

Description	Plant Additions (A)	Wages Increase (B)	New Employee (C)	Davis/HRIS Depreciation (D)	Depreciation Study Direct (E)	Depreciation Study Shared Assets (F)	Depreciation Study Davis/HRIS (G)	Cash Working Capital (H)	Total (I)
1 Utility Plant In Service	\$ 1,400,000	\$ 3,750	\$ 24,700						\$ 1,428,450
2 Less: Accumulated Amort. & Depreciation	\$ 18,900	\$ 94	\$ 618	\$ 5,912	\$ (25,707)	\$ (1,857)	\$ (37)		\$ (2,077)
3 Total Net Utility Plant	\$ 1,381,100	\$ 3,656	\$ 24,082	\$ (5,912)	\$ 25,707	\$ 1,857	\$ 37	\$ -	\$ 1,430,527
4 Additions to Rate Base									
5 Gas Storage									\$ -
6 Prepaid Insurance									\$ -
7 Cash Working Capital								\$ 943	\$ 943
8 Total Additions to Rate Base	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 943	\$ 943
9 Deductions to Rate Base									
10 Accumulated Deferred Income Taxes	\$ 248,069								\$ 248,069
11 Customer Advances									\$ -
12 Customer Deposits									\$ -
13 Reserve for Bad Debt									\$ -
14 Total Deductions	\$ 248,069	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 248,069
15 Total Rate Base Additions	\$ 1,133,031	\$ 3,656	\$ 24,082	\$ (5,912)	\$ 25,707	\$ 1,857	\$ 37	\$ 943	\$ 1,183,401

Source:

JMS Exhibit 2 Sch. 1, Col. B	JMS Exhibit 2 Sch. 1, Col. C	JMS Exhibit 2 Sch. 1, Col. D	JMS Exhibit 2 Sch. 1, Col. E	JMS Exhibit 2 Sch. 1, Col. F	JMS Exhibit 2 Sch. 1, Col. G	JMS Exhibit 2 Sch. 1, Col. H	Kebede Sch. E Pg. 1 Col. N
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Liberty Utilities (Midstates Natural Gas) Corp.
Cash Working Capital
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
Schedule E
Page 1 of 4
RPU-2016-0003

Line No.	Description	Amount	Cash/Day Column B/365	Revenue Lag Days	Expense Lead Days	Net Lag (Lead) Days	Cash Requirement	Pro Forma Adjustments	Cash/Day H/365	Net Lag (Lead) Days	Cash Requirement
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
1	Payroll	\$ 469,765	\$ 1,287	34.41	14.00	20.41	\$ 26,268	\$ 112,185	\$ 307	20.41	\$ 6,273
2	Purchased Gas	\$ 2,067,467	\$ 5,664	34.41	36.68	(2.27)	\$ (12,858)	\$ -	\$ -	(2.27)	\$ -
3	Other Oper. & Maint. Exp.	\$ 425,015	\$ 1,164	34.41	26.53	7.88	\$ 9,176	\$ (15,756)	\$ (43)	7.88	\$ (340)
4	Property Tax	\$ 349,824	\$ 958	34.41	364.80	(330.39)	\$ (316,653)	\$ -	\$ -	(330.39)	\$ -
5	Federal Income Taxes	\$ -	\$ -	34.41	47.92	(13.51)	\$ -	\$ 101,929	\$ 279	(13.51)	\$ (3,773)
6	State Income Taxes	\$ -	\$ -	34.41	47.97	(13.56)	\$ -	\$ 32,756	\$ 90	(13.56)	\$ (1,217)
7	Total						<u>\$ (294,067)</u>				<u>\$ 943</u>

Sources:

Column B - lines 1 & 2 - JMS Exhibit 2, WP 33.
- lines 3 & 4 - JMS Exhibit 3, WP 3,page 2 of 3
Column D - JMS Exhibit 2, WP 33.
Column E - lines 1, 2 & 3 - JMS Exhibit 2, WP 33.
- lines 4, 5 & 6 - OCA Exhibit Kebede Direct Schedule E Pages 2, 3, 4
Column F - Column D minus Column E
Column G - Column C x Column F
Column H - OCA Exhibit Kebede Direct Schedule C Pages 1 of 1
Column K - Column I x Column J

Liberty Utilities (Midstates Natural Gas) Corp.
Property Tax Payment
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
Schedule E
Page 2 of 4
RPU-2016-0003

	<u>Month</u>	<u>Days Until Payment</u>	<u>Average Collection Days</u>	<u>Net Days</u>	<u>Percent of Annual Tax Accrual</u>	<u>Weighted Lead Days</u>
1	January	455	15.2	439.79	8.33%	36.65
2	February	424	15.2	408.79	8.33%	34.07
3	March	396	15.2	380.79	8.33%	31.73
4	April	365	15.2	349.79	8.33%	29.15
5	May	335	15.2	319.79	8.33%	26.65
6	June	304	15.2	288.79	8.33%	24.07
7	July	457	15.2	441.79	8.33%	36.82
8	August	426	15.2	410.79	8.33%	34.23
9	September	395	15.2	379.79	8.33%	31.65
10	October	365	15.2	349.79	8.33%	29.15
11	November	334	15.2	318.79	8.33%	26.57
12	December	304	15.2	288.79	8.33%	24.07
13	Total Weighted Days				100%	364.8

Payments are made on March 31 and September 30 for previous year property tax.

Liberty Utilities (Midstates Natural Gas) Corp.
Federal Income Tax Payment
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
 Schedule E
 Page 3 of 4
 RPU-2016-0003

	<u>Month</u>	<u>Days Until Payment</u>	<u>Average Collection Days</u>	<u>Net Days</u>	<u>Percent of Annual Tax Accrual</u>	<u>Weighted Lead Days</u>
1	January	105	15.2	89.8	8.33%	7.48
2	February	74	15.2	58.8	8.33%	4.90
3	March	46	15.2	30.8	8.33%	2.57
4	April	15	7.6	7.4	4.17%	0.31
5	April	61	7.6	53.4	4.17%	2.23
6	May	46	15.2	30.8	8.33%	2.57
7	June	15	7.6	7.4	4.17%	0.31
8	June	92	7.6	84.4	4.17%	3.52
9	July	77	15.2	61.8	8.33%	5.15
10	August	46	15.2	30.8	8.33%	2.57
11	September	15	7.6	7.4	4.17%	0.31
12	September	91	7.6	83.4	4.17%	3.48
13	October	76	15.2	60.8	8.33%	5.07
14	November	45	15.2	29.8	8.33%	2.48
15	December	15	7.6	7.4	4.17%	0.31
16	December	120	7.6	112.4	4.17%	4.68
17	Total Weighted Days				<u>100%</u>	<u>47.92</u>

Payments due April 15, June 15, Sept. 15 and Dec. 15.

Liberty Utilities (Midstates Natural Gas) Corp.
State Income Tax Payment
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
 Schedule E
 Page 4 of 4
 RPU-2016-0003

	<u>Month</u>	<u>Days Until Payment</u>	<u>Average Collection Days</u>	<u>Net Days</u>	<u>Percent of Annual Tax Accrual</u>	<u>Weighted Lead Days</u>
1	January	120	15.2	104.8	8.33%	8.73
2	February	89	15.2	73.8	8.33%	6.15
3	March	61	15.2	45.8	8.33%	3.82
4	April	30	15.2	14.8	8.33%	1.23
5	May	61	15.2	45.8	8.33%	3.82
6	June	30	15.2	14.8	8.33%	1.23
7	July	92	15.2	76.8	8.33%	6.40
8	August	61	15.2	45.8	8.33%	3.82
9	September	30	15.2	14.8	8.33%	1.23
10	October	92	15.2	76.8	8.33%	6.40
11	November	61	15.2	45.8	8.33%	3.82
12	December	31	15.2	15.8	8.33%	1.32
13	Total Weighted Days				<u>100.00%</u>	<u>47.97</u>

Payments made April 30, June 30, Sept. 30 and Dec. 31.

Liberty Utilities (Midstates Natural Gas) Corp.
Interest Synchronization
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
Schedule F
Page 1 of 1
RPU-2016-0003

Line No.	Description (A)	Amount (B)	Reference
1	Rate Base	\$ 6,208,422	OCA Exhibit Kebede Direct, Schedule D, Column C, Line 15
2	Weighted Cost of Debt	<u>2.560%</u>	OCA Exhibit Kebede Direct, Schedule B, Column D, Line 1
3	Long Term Debt Interest	\$ 158,929	Ln 1 x Ln 2
4	Increased (Decreased) FIT	<u>\$ (49,999)</u>	Ln 3 x 31.46%
5	Increased (Decreased) SIT	<u>\$ (16,068)</u>	Ln 3 x 10.11%

OCA Exhibit Kebede Direct

Schedule G

Page 1 of 1

RPU-2016-0003

Liberty Utilities (Midstates Natural Gas) Corp.

Tax Calculations

For Test Period Ended December 31, 2015

Line		
<u>No.</u>	(A)	(B)
1	Federal	31.46%
2	State	10.11%
3	Composite	41.57%
4	Gross-up	1.71145

Iowa Economic Development Authority, IEDA: business location, expansion <http://www.iowaeconomicdevelopment.com/mobile/NewsDetail.aspx?i...>



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news

BOARD ACTION: Economic Development Board approves awards to support nearly \$456 million in capital investments in Iowa

For more information contact:

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Economic Development Board approves awards to support nearly \$456 million in capital investments in Iowa

July 22, 2016 (*DES MOINES, IA*) – The Iowa Economic Development Authority (IEDA) board today awarded direct financial assistance and tax benefits to eight companies for job creation and expansion projects. These awards will assist in the creation of 308 jobs, retention of four jobs and will result in nearly \$456 million in new capital investment for the state. The board also approved innovation funding for four startups.

The board approved assistance for planned or proposed projects located in Cedar Falls, Cedar Rapids, Council Bluffs, Fairfield, Iowa City, Johnston, Keokuk, Sioux City, Waukee and West Des Moines.

ePATHUSA to relocate into new office space

ePATHUSA, Inc., located in West Des Moines, was established in May 2005 and is a software development company that specializes in business intelligence, application development, web design and hosting and software quality assurance. The company is proposing to relocate into a new office building to accommodate the expansion and future growth of the company. The board awarded ePATHUSA \$40,000 in direct financial assistance as well as tax benefits via the High Quality Jobs Program (HQP) to create five new jobs that are incented at a qualifying wage of \$26.72 per hour. The project is expected to have a capital investment of \$405,750.

Future Foam to construct new building

Future Foam, Inc. started business in Council Bluffs in 1958. The company currently has five locations in Council Bluffs and is a major manufacturer of polyurethane foam products used in furniture, bedding, carpet padding, packaging and other applications. The company was awarded tax benefits through the Targeted Jobs Withholding Tax Credit (TJWTC) program for the construction of a new building to house the expansion of the IT department. This \$720,000 capital investment is expected to retain four jobs and create six jobs, of which three are incented at a qualifying wage of \$17.93 per hour.

Fairfield's Hawthorne Direct receives assistance for expansion

Hawthorne Direct, LLC is a technology-based firm that utilizes proprietary analytics, data science and systems to develop accountable broadcast and digital campaigns. The company is looking to grow and relocate within Fairfield to accommodate the expansion of research and development, data science, media management and operation positions. Hawthorne received \$75,000 in direct financial assistance as well as tax

benefits via HQJ for this \$385,000 capital investment. The project is expected to create 15 jobs at a qualifying hourly wage of \$15.93.

Holmes Murphy to lease building space in Waukee

HMA Group (a.k.a. Holmes Murphy) originated in Des Moines and has a presence in 14 states. The company is an independent insurance brokerage firm that partners with business and industry leaders in the areas of property casualty, employee benefits, captive insurance, risk management and loss control. With recent growth of the company, Holmes Murphy intends to lease a build-to-suit office building in Waukee. The company received tax benefits from HQJ for this \$1.8 million capital investment. The project is expected to create 17 jobs at a qualifying wage of \$26.72 per hour.

Keokuk Mills to reopen steel casting foundry

Keokuk Mills, LLC, is a company recently formed to reopen the Keokuk Steel Manufacturing Company, which was closed in March 2016 by its parent company. The new organization proposes to restart operations of the steel casting foundry that produces castings for manufacturers in the agricultural, construction and utility industries. The project has a capital investment of \$4.5 million and is expected to create 200 jobs at a qualifying wage of \$14.39 per hour. The board awarded the project direct financial assistance of \$1 million and tax benefits via HQJ. Additionally, the TJWTC program will also be accessed in the amount of \$400,000 to assist with this project in Keokuk.

Microsoft receives assistance for regional data center in West Des Moines

Microsoft Corporation develops, manufactures, licenses and supports a range of services, devices and software products for a wide variety of devices. The company was awarded tax benefits from HQJ for phase one of a four-phase regional data center and associated support infrastructure to house servers and computer equipment to operate large-scale web portal services as part of Microsoft's online services businesses. The \$417.7 million capital investment in West Des Moines is expected to create 57 jobs, of which 11 are incented at a qualifying wage of \$27.92 per hour.

Sioux City refrigerated warehouse facility plans expansion project

Cloverleaf Cold Storage Company is a family-owned and operated warehouse company offering public and contract storage in refrigerated, frozen and dry environments. All Cloverleaf warehouses are food-grade facilities, and the majority of company throughput is related to the food processing, food service and retail business. Cloverleaf plans to expand the existing facility to meet increased sales demand. This expansion complements their Farmer's Produce business and will help enable the storage of produce after manufacturing. The company received tax benefits via HQJ for this \$18 million capital investment. The project is expected to create eight jobs, of which one is incented at a qualifying wage of \$20.17 per hour.

Modernization project planned for Cedar Rapids animal feed ingredients company

ReConserve, Inc., parent company of Cedar Rapids-based ReConserve of Iowa, Inc., owns and operates plants for the collection and processing of bakery waste materials into animal feed ingredients. ReConserve is planning a project that includes land acquisition and site improvements that will keep the company in Iowa and help them operate more efficiently. The board awarded ReConserve tax benefits through HQJ for this \$12 million modernization project.

Awards made to four startups

The Proof of Commercial Relevance (POCR) Fund provides financial assistance to innovative businesses pursuing proof of commercial relevance and marketability of a technology. The fund is designed to assist businesses with new technologies that have completed the proof of concept stage and are ready to be

Iowa Economic Development Authority, IEDA: business location, expansion <http://www.iowaeconomicdevelopment.com/mobile/NewsDetail.aspx?i...>

subjected to the rigors of the proof of commercial relevance stage that includes defining the market for the product and perfecting the product to meet market needs.

Award recommendations for this fund are made by the Technology Commercialization Committee (TCC) to the IEDA Board for approval.

Clear Carbon, LLC is a new business venture based in West Des Moines. The company's primary purpose is to refine, manufacture, sell and deliver biomass-sourced activated carbon. Innovative production processes being refined by the company have the capacity to serve the U.S. power industry by using renewable sources. The board awarded Clear Carbon a \$25,000 POCR loan for pilot testing that can demonstrate real-world applications.

Iowa City-based **Clipse Therapeutics, LLC** was formed in April 2015 with the mission to develop a disposable platform device to rapidly deliver drugs through the buccal cavity (inner cheek) of a human patient. Buccal drug delivery through the device is easy, fast and avoids injections. The first targeted market is the delivery of a generic anticonvulsant drug for the urgent treatment of epileptic seizures. The board awarded Clipse a \$25,000 POCR loan for the company's plan to conduct a marketing study to determine product competitiveness.

Fermented Labs, LLC (dba Brewd) is located in Johnston and has discovered a significant opportunity to provide tools to help breweries run more efficiently. This includes everything from buying raw materials to state and federal government reporting. Brewd's software platform not only allows breweries to run more cost effectively but also provides critical information to the business. The board awarded Brewd a \$25,000 POCR loan for product development.

iTR Diagnostics, located in Cedar Falls, has developed a Parkinson's disease diagnostic system that the company believes to be more accurate than current methods. The system is designed to diagnose patients before physical symptoms appear, allowing for earlier, more effective and less expensive treatments. Their system can also track disease progression for patient care and research purposes. The board awarded the company a \$25,000 POCR loan to conduct a market research study.

###

Download a spreadsheet of today's awards: iowaeconomicdevelopment.com/UserDocs/documents/IEDA/july16awards.pdf

7/22/2016

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Keokuk steel foundry to reopen with aid of state incentives - Washington... <http://www.washingtontimes.com/news/2016/jul/22/keokuk-steel-foundr..>

Keokuk steel foundry to reopen with aid of state incentives

By - Associated Press - Friday, July 22, 2016

DES MOINES, Iowa (AP) - An idled steel castings foundry in Keokuk may come to life again and create 200 jobs with approval of state incentives.

The Iowa Economic Development Board on Friday approved \$1 million in loans and additional tax breaks to reopen the former Keokuk Steel Manufacturing Co.

The plant was closed in March when its owner India-based Sanmar Group moved production to Mexico.

A new company called Keokuk Mills plans to reopen it to make steel products for manufacturers of agricultural, construction and utilities equipment.

The new company has budgeted \$6 million to get the plant running again and plans to pay \$14.39 an hour.

At its peak the plant had 550 employees but when it closed permanently employment was around 220.

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Iowa company bringing back 200 jobs to Keokuk

<http://www.desmoinesregister.com/story/money/business/2016/07/22/iowa-company-bringing-back-200-jobs-to-keokuk/>

Iowa company bringing back 200 jobs to Keokuk

Kevin Hardy, kmhardy@dmreg.com 6:58 p.m. CDT July 22, 2016



(Photo: Special to the Register)

At least 200 people could go back to work, as a homegrown company brings life back to a giant foundry in southeast Iowa.

After nearly eight decades, Keokuk Steel Castings closed its doors in March, laying off about 200 people. At one point, the plant employed as many as 550 people.

Matrix Metals, a subsidiary of the Sanmar Group, an India-based conglomerate with interests in chemicals, engineering and shipping, cited decreased demand in the oil and gas industries for the closure.

But Keokuk's plant won't sit idle for long.

The Mills Group, an Iowa firm with four companies under its umbrella, will soon close a deal to purchase the 43-acre foundry complex. Owned by Brad and Annie Mills, of Houghton, the Mills Group mostly manufactures agricultural equipment.

The foundry, now called Keokuk Mills, will pour castings for companies that produce agricultural, construction and utility products. The firm also will target work for the military, nuclear facilities, and gas and oil pipelines.

On Friday, the Iowa Economic Development Authority board approved a \$1.63 million package of incentives for the Mills Group. That includes a \$500,000 forgivable loan, a \$500,000 zero-interest loan and \$630,000 in tax credits. The incentives are contingent upon a local match from the city of Keokuk in the form of a \$200,000 forgivable loan.

"Everything hinged on that today," said Kenny LeGrand, CFO of the Mills Group. "If that package was not approved today, the project would have fallen apart and the building would have been mothballed for virtually forever."

The Mills Group is investing \$6 million in the purchase of the plant, which includes two buildings totaling 300,000 square feet.

LeGrand said the foundry should reopen within the fourth quarter of this year. While only 200 jobs are promised, he said the company plans to work its way up to the plant's high-water mark of 550 employees.

"Keokuk Castings was at one time the largest employer in southeast Iowa," LeGrand said. "And that's our goal to get back there."

That's welcome news in Lee County, which in May had the state's highest unemployment rate at 5.6 percent. (The statewide average was 3.9 percent in May.)

The Mills Group has pledged to create 200 jobs within the first three years of operation. All of those positions must pay at least \$14.39 per hour, and 74 must pay at least \$21.49 per hour, per the company's agreement with the state.

The Mills group believes it will be able to rehire many of those laid off in the March closure.

"Every time I go down there, I meet a former employee looking to go back to work," he said.

Iowa Workforce Development has been aiding in job training and job placement for the 300 plant employees laid off within the last year. Officials said 60 former Keokuk Steel workers are receiving individualized training to transition to careers in fields such as industrial maintenance, truck driving and physical therapy.

Stephen Bisenius, CEO of the Lee County Economic Development Group, said the foundry was a marquee employer in southeast Iowa. The sweeping campus once employed more workers than any other business in the area.

"It's been here 79 years. It's attracted workers from the whole region from three states," he said. "It is very important to people here."

Some families there boast three generations of Keokuk Steel workers, Bisenius said. And many out-of-work locals can't wait to see life back in the plant.

"Those workers who had been there for many years were very skilled at what they had been doing," he said. "There's certainly a passion for those who want to return to foundry work."

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http://www.dailygate.com/article_844dd63c-2d8d-11e6-b4f2-132c92a191c7.html

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FEATURED

New life for Steel Castings

By Cindy Iutzi dgceditor@dailygate.com Jun 8, 2016



Keokuk Steel Castings has a commanding presence on the outskirts of Keokuk. The plant employed up to 500 area residents at its peak production. The Hawkeye foundry is not shown.

The Mills Group announced it has reached a tentative agreement with Matrix Metals-Sanmar Group

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http://www.dailygate.com/article_844dd63c-2d8d-11e6-b4f2-132c92a19...

to purchase Keokuk Steel Castings.

The purchase by owners Brad and Annie Mills of Houghton would mark the return of the plant's ownership to Lee County for the first time since 1987.

"We are looking forward to becoming part of the proud history of Keokuk Steel Castings and guiding to its full potential," Brad Mills said.

The Mills Group began in 1990 and has a successful history of turning around manufacturing companies throughout the U.S.

Mills Group owns four manufacturing companies in Iowa that involve steel manufacturing of livestock handling equipment.

While meeting with local officials in Keokuk, the Millses said they are optimistic about rebuilding the workforce at this plant.

"We are very impressed with what we have found as to the skills, talent and dedication of the employees and management at KSC," Brad Mills said. "We look forward to working together to uncover the many opportunities ahead of us."

The Millses have met with Lee County Economic Development Group, Iowa Economic Development Authority, Lee County Supervisors, City of Keokuk officials, Keokuk Economic Development Corporation, as well as local and regional financial institutions.

"We are so pleased that Keokuk Steel Castings' proud history of almost 80 years – and its impact on the Tri-State region can be further extended by this exciting new development," said Steve Bisenius executive director of LCEDG. "We welcome Brad and Annie Mills and their team with Mills Group, and we look forward to helping them every way we can as they build up their new plant. Three years ago, Keokuk Steel Castings employed more than 500 workers.

"We are very pleased how hard all of the officials in Keokuk have worked together to help make this come together and how warmly we were welcomed to the community," Brad Mills said. "We also want to extend our special thanks to Mr. B. Natraj and his good people at Matrix Metals-Sanmar Group, for all of their effort to help make this transaction possible."

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http://www.dailygate.com/article_844dd63c-2d8d-11e6-b4f2-132c92a19...

Mills Group's vision

"Our first objective is to get the foundry back up and running and reach out to the KSC customers," Brad said. "A little further down the road, we have additional plans for Keokuk. We see the possibility of utilizing Keokuk as an expansion option for our other companies. We also see growing this location through additional acquisitions as we have done in Earlville."

In the course of the Mills' career, they have consolidated four businesses into two larger manufacturing plants in Earlville. Both plants have growth and expansion in their future.

"As long time local residents, we're excited to start a second campus a little closer to home," Annie Mills said.

History of Keokuk Steel Castings

Keokuk Steel Castings was built in 1915 on the bank of the Mississippi River in Keokuk, and used hydroelectric power from the newly built Keokuk dam.

One of its first contracts was manufacturing cannon barrels for World War I, according to research compiled by Keokuk librarian and historian Tonya Boltz.

Among other products, the plant made castings for John Deere Company tanks during World War II.

Prior to the 1973 flood, the Keokuk plant was in the process of renovation and expansion. However, the levee and flood wall, which had been erected to surround and protect the plant, broke on April 2, 1973, as the river reached 23.5 inches. The Army Corps of Engineers advised the firm that future floods would achieve new heights. Federal loans assisted the move to higher ground, between 218

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http://www.dailygate.com/article_844dd63c-2d8d-11e6-b4f2-132c92a19...

and the 61 bypass, directly behind the Hoerner-Waldorf plant (where it's located today).

The plant has changed hands several times over the past decades.

In 1987, NACO purchased the Keokuk foundry and operated it until it was acquired in 2001 by Jefferies Capital Partners, a New York equity firm.

The Sanmar Group of India acquired Matrix Metals-Keokuk Steel Castings Company in 2008.

In recent years, Keokuk Steel Castings has manufactured mining, oil-drilling and military equipment; nuclear valves and parts for high-speed trains.

OCA Exhibit Kebede Direct
Schedule I
Page 1 of 2
RPU-2016-0003

Liberty Utilities (Midstates Natural Gas) Corp.
Uncollectible Expenses
For Test Period Ended December 31, 2015

<u>Line No.</u>	<u>Year</u> (A)	<u>Amount</u> (B)	<u>Reference</u>
1	2013	\$ 49,049	OCA Exhibit Kebede Direct, Schedule I, Page 2 of 2
2	2015	<u>\$ 60,941</u>	OCA Exhibit Kebede Direct, Schedule I, Page 2 of 2
3	Total Adjustment	<u><u>\$ (11,892)</u></u>	Ln 1 minus Ln 2

Liberty Utilities (Midstates Natural Gas) Corp.
Uncollectible Expenses
For Test Period Ended December 31, 2015

Line No.	Year (A)	Total Gas Revenue (B)	Uncollectible Exp. (C)	Percent (D)
Interstate Power & Light				
1	2015	\$1,721,143,321	\$2,464,813	0.14%
2	2014	\$1,751,392,216	\$3,367,693	0.19%
3	2013	\$1,736,420,455	\$3,623,788	0.21%
MidAmerican Energy				
4	2015	\$2,134,263,557	\$1,412,417	0.07%
5	2014	\$2,397,533,995	\$2,122,233	0.09%
6	2013	\$2,214,610,038	\$1,773,586	0.08%
Black Hills Energy				
7	2015	\$138,154,273	\$928,122	0.67%
8	2014	\$194,828,627	\$1,345,029	0.69%
9	2013	\$154,781,811	\$851,433	0.55%
Liberty Utilities				
10	2015	\$4,330,521	\$60,941	1.41%
11	2014	\$5,365,040	\$67,380	1.26%
12	2013	\$4,904,431	\$49,049	1.00%

Source: Column B - Company's FERC Form IG-1 Page 114.
 Column C - Company's FERC Form IG-1 Page 324.
 Column D - Column C divided by Column B

Liberty Utilities (Midstates Natural Gas) Corp.
Lobbying Expenses
For Test Period Ended December 31, 2015

OCA Exhibit Kebede Direct
 Schedule J
 Page 1 of 2
 RPU-2016-0003

<u>Line</u> <u>No.</u>	<u>Year</u> (A)	<u>Amount</u> (B)	<u>Reference</u>
1	American Gas Association Dues	\$ 2,813	OCA Exhibit Kebede Direct, Schedule J, Page 2 of 2
2	Allocation to Lobbying	<u>4.5%</u>	OCA Exhibit Kebede Direct, Schedule J, Page 2 of 2
3	Amount allocated to Lobbying	<u>\$ 127</u>	Ln 1 times Ln 2

**OFFICE OF CONSUMER ADVOCATE
DATA REQUEST**

DATE : September 27, 2016

DOCKET NO. : RPU-2016-0003

COMPANY : Liberty Utilities (Midstates Natural Gas) Corp. d/b/a/ Liberty Utilities.

WITNESS : Jill Schwartz

SUBJECT : Dues and Membership Fees

27. Liberty Utilities paid \$8,270 in dues and membership fees in calendar year 2015. Provide a detail listing to whom and how much of the dues and membership payments were paid (AGA etc.). Identify any of the entities that received the payments that participate in lobbying, and provide the percent of their budget dedicated toward lobbying.

Response:

Dues & Membership Fees recorded to FERC account 921.4:

Iowa Pipeline Association	\$3,510
AGA	\$2,813
SGA	\$724
FRI Public Utility Advisory Board	\$499
Other Miscellaneous	\$724

The only entity that participates in lobbying is AGA. AGA estimates the portion that is allocable to lobbying is 4.5%.